



中国通信服务
CHINA COMSERVICE

CHINA COMSERVICE ANNOUNCES 2013 INTERIM RESULTS

HIGHLIGHTS:

- The Company recorded a steady growth in operating results; total revenues were RMB32,361 million, up by 9.6%
- The Company continued to vigorously expand into the domestic non-operator market and the overseas market, and revenues from such markets increased by 14.0% in aggregate over the same period last year, becoming the major growth driver for the total revenues for the period
- Gross profit margin was relatively stable at 15.4% as the Company attached great importance to efficiency of business development and strengthened cost management, and favorable quality of business development sustained
- Due to the impact of fixed costs and the relatively rapid increase in selling, general and administrative expenses during the period, profit attributable to equity shareholders of the Company was RMB1,242 million, up by 1.7%, while net profit margin declined slightly to 3.8%
- The Company actively participated in various work in relation to the LTE trial networks of the domestic telecommunications operators, including construction, network planning and design, and investments to be triggered by the issuance of 4G licenses will bring new development opportunities for the Company

Financial Highlights (unaudited)

For the 6 months ended 30 June	2012 (Restated*)	2013	Change
Revenues (RMB million)	29,530	32,361	9.6%
Gross Profit (RMB million)	4,581	4,971	8.5%
Gross Profit Margin (%)	15.5%	15.4%	-0.1pp
Profit Attributable to Shareholders (RMB million)	1,221	1,242	1.7%
Basic Earnings per Share (RMB)	0.182	0.179	-1.6%

* In accordance with the accounting standards, the financial data of 2012 have been restated to include the relevant results of Sino-British Submarine System Co., Ltd., in which the Company completed the acquisition of its 51% equity interests on 26 July 2012.

(Hong Kong, 28 August 2013) — China Communications Services Corporation Limited (“China Comservice” or “the Company”) (HKSE code: 552), today announced its unaudited interim results for the six months ended 30 June 2013.

The Company reported stable growth in total revenues for the first half of 2013, reaching RMB32,361 million, up by 9.6% over the same period last year. Cost of revenues amounted to RMB27,390 million, representing an increase of 9.8% over the same period last year. Gross profit grew by 8.5% over the same period last year to RMB4,971 million. Gross profit margin was relatively stable at 15.4% as the Company attached great importance to efficiency of business development and strengthened cost management, and favorable quality of business development sustained. Due to the impact of fixed costs and the relatively rapid increase in selling, general and administrative expenses during the period, profit attributable to equity shareholders of the Company was RMB1,242 million, up by 1.7% over the same period last year, while net profit margin declined slightly to 3.8%. Basic earnings per share amounted to RMB0.179.

Mr. Li Ping, Chairman of the China Comservice commented, “During the first half of 2013, by making greater efforts to innovate and transform with firm confidence for development, the Company fortified its position in the domestic telecommunications operator market and expanded further into the domestic non-operator market and the overseas market with favorable results, and achieved further increase in revenue contributions from these two markets. As a result, the Company recorded a steady growth in operating results against a slowdown in overall capital expenditure of the telecommunications industry. Looking forward, investments to be triggered by the issuance of 4G licenses will bring new development opportunities for the Company.”

Telecommunications Infrastructure Services

During the first half of 2013, telecommunications infrastructure (“TIS”) services achieved a stable growth and revenue from TIS services amounted to RMB15,339 million, representing an increase of 9.7% over the same period last year and accounting for 47.4% of total revenues. Despite the decline in overall capital expenditure of the domestic telecommunications industry during the period due to industry factors including the 4G licenses having not been issued, the Company still reported an 8.3% year-on-year growth in TIS revenues from domestic telecommunications operators by enhancing service capabilities. In addition, the Company made further progress in overseas turnkey projects development and TIS revenue from overseas market recorded a rapid growth of 58.9% over the same period last year, effectively driving growth of overall TIS revenue.

Business Process Outsourcing Services

Revenue from business process outsourcing (“BPO”) services for the first half of 2013 amounted to RMB14,035 million, representing an increase of 8.9% over the same period last year and accounting for 43.4% of total revenues. The Company has always been adhering to the principle of profitable business development and proactively managing the development of certain businesses with lower

operating efficiency. The development of distribution of telecommunications services and products was effectively managed, and revenue growth decelerated to 10.4% as compared to the same period last year. The revenue growth of network maintenance services also slowed down to 4.2%.

Applications, Content and Other Services

Revenue from applications, content and other (“ACO”) services for the first half of 2013 amounted to RMB2,987 million, representing an increase of 12.4% over the same period last year and accounting for 9.2% of total revenues. The Company focused on three types of domestic non-operator customers from government, key industries and small and medium-sized enterprises, and endeavored to develop large-scale turnkey projects, such as “Smart City” projects, industrial solutions and operation outsourcing projects. As a result, system integration business¹ grew rapidly with revenue increased by 31.3% over the same period last year. The Company will continue to deliver products and services with core competence by introducing strategic partners with strong brand names and technological edges, and leveraging its own local strengths.

Market Development

During the first half of 2013, the Company persisted in its focus on the three major markets. The Company continued to reinforce its leading position in the domestic telecommunications operator market during the period, and revenue from this market continued to grow by 7.1% against the backdrop of a slowdown in network construction investments by domestic telecommunications operators², reaching RMB20,416 million and accounting for 63.1% of total revenues. In particular, revenue from China Telecom increased by 8.6% over the same period last year, accounting for 41.1% of total revenues, while revenues from China Mobile and China Unicom increased by 4.5% in aggregate over the same period last year, accounting for 22.0% of total revenues. During the period, the Company actively participated in various work in relation to the LTE trial networks of the domestic telecommunications operators, including construction, network planning and design, in a move to prepare for opportunities arising from the issuance of 4G licenses.

The Company continued to vigorously expand into the domestic non-operator market and the overseas market, and revenues from such markets increased by 14.0% in aggregate over the same period last year, becoming the major growth driver for the total revenues in the first half of 2013. During the period, the Company adhered to its “Differentiation and Cooperation Strategy” in domestic non-operator market, and revenue from the domestic non-operator market increased by 11.8% over the same period last year to RMB10,266 million, accounting for 31.7% of total revenues. Meanwhile, the Company continued to implement its “Overseas-Focus and Four-Steps Strategy” and

¹ Starting from 1 January 2013, the Company has adjusted the business classification among ACO in accordance with its business development focus. This change in classification has no effect on total revenues. The comparative figures have been reclassified to conform to current period’s presentation.

² According to data from Ministry of Industry and Information Technology of the PRC, fixed assets investment in the telecommunications industry for the first half of 2013 was RMB129.7 billion, decreased by 12.7% over the same period last year.

endeavored to develop overseas turnkey projects with favorable results. Revenue from overseas market grew to RMB1,679 million, representing a rapid increase of 30.0% and accounting for 5.2% of total revenues.

Prospects

Mr. Li Ping, Chairman of China Comservice said, “Looking forward, new business opportunities are anticipated from the nation’s move to bolster information consumption, promote in-depth integration of industrialization and informatization, implement the “Broadband China” strategy and accelerate the construction and upgrade of networks and communications infrastructures. In the telecommunications industry, particularly the investment to be brought by the upcoming issuance of 4G licenses will also create new opportunities for the Company’s development in the domestic telecommunications operator market. Furthermore, the enormous demands for informatization services of society driven by urbanization, including projects related to "Smart City" and industry informatization, as well as the robust demand for communications construction in emerging overseas countries, will also provide the Company with favorable room for further development in the domestic non-operator market and the overseas market. Meanwhile, we are also facing challenges arising from changes in the industry landscape and regulatory policies as well as intensifying competition in the market, which will bring further pressure on the operating conditions of the Company. Nevertheless, we are confident about the future. While further strengthening its position in the domestic telecommunications operator market, the Company will continue to expand into the domestic non-operator market and the overseas market with vigorous efforts, striving to build a “hundred-billion enterprise” with superior performance and a culture of harmony and happiness, so as to deliver greater value to our customers and shareholders.”

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About China Comservice

China Comservice is a leading service provider in the PRC for integrated support services in the informatization sector. The Company offers telecommunications infrastructure services spanning from design, construction to project supervision and management; business process outsourcing services spanning from maintenance, distribution to facility management; applications, content and other services spanning from system integration, software development and system support to value-added service, etc.. The Company's major customers include domestic telecommunications operators, domestic non-operator customers including government agencies, industrial customers and small and medium-sized enterprises, as well as overseas customers. Its controlling shareholder is China Telecommunications Corporation, and besides, China Mobile Communications Corporation, China United Network Communications Group Company Limited and China National Postal and Telecommunications Appliances Corporation are also shareholders of the Company.

In 2013, the Company was for the first time voted the No. 1 "Best Managed Company in China" in the ranking of "Asia Best Managed Companies 2013" by *Euromoney*. Meanwhile, the Company ranked 3rd among the "Best Managed Company in China" in the 2013 "Asia's Best Managed Companies" hosted by *Finance Asia*, and was also awarded among "The Best of Asia" and "Icon on Corporate Governance" elected by *Corporate Governance Asia*.

For further information, please browse the Company's website at: www.chinaccs.com.hk

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Forward-looking statements

This press release contains forward-looking statements and information relating to us and our operations and prospects that are based on current beliefs and assumptions as well as information currently available to us. The words "anticipate", "believe", "estimate", "expect", "plans", "prospects", "going forward" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statement. We do not intend to update these forward-looking statements other than our on-going disclosure obligations pursuant to the Hong Kong Listing Rules or other requirements of the Hong Kong Stock Exchange.